Cognizant

Global Insurer Uses Detailed Analytics, Targeted Messaging to Boost Customer Renewal Rates

Need to reduce policy lapses drives overhaul of customer analytics and retention programs.

When a leading insurance provider saw that about 60% of the customers who had purchased policies in the previous four years had allowed those policies to lapse, it recognized a need for change.

The insurer hoped to improve customer retention by creating targeted messaging and retention programs for at risk customers. To enable the targeted messaging, it needed to provide its call center agents, as well as the independent agents that sell its products, with more accurate lists of the policyholders most at risk of canceling. It also needed to prioritize those "at risk" customers based on their long-term value to the company, and provide the agents with selling scripts designed to retain each category of customer based on their risk of lapsing.

To do this, the insurer sought Cognizant's help to transform its customer retention policies, based on Cognizant's expertise in creating and executing analytic models.

Previously, the insurer could only track customers by their net worth, not the probability they would let

AT A GLANCE

Facing an urgent need to improve customer retention, a major global insurer turned to Cognizant to help it understand which customers were most at risk of canceling their policies, and why.

Through a detailed analytics program, Cognizant identified customers most at risk of canceling by product type, the factors that made them most likely to cancel and those with the greatest long-term value to the insurer.

Outcomes:

- Increased premium revenue by 8% within one month.
- Recovery of 4.5% of the customers the insurer had lost in the previous year.
- Return on investment of more than 180% within the first year.
- Agents now have access to a prioritized list of customers most at risk, with customized scripts and up-sell/cross-sell recommendations to increase their retention.

their policies lapse. This left the team without a systematic approach for identifying those customers most at risk of allowing their policies to lapse and executing plans to prevent that.

Using the Cognizant iVALUE solution, the Cognizant team developed analytic models for all 4.5 million of the insurer's customers, seeking to understand which behaviors of the insurer, agent, and customer would signal a high risk of a lapse. Factors included demographics such as gender, occupation and income level, as well as whether the customer was on an annual or quarterly payment plan, whether the policy is for an individual or a family member, and how often an agent was in contact with the customer. The models revealed that frequent interaction with an agent and the fact a customer had undergone a medical examination indicated a lower risk of lapsing.

Based on the analysis, Cognizant enabled the insurer to isolate the customers with the greatest lifetime value. The team identified the at-risk customers who had the highest net worth and the greatest risk of lapsing and helped the insurer develop specialized scripts for use with them. It also developed separate rankings of each customer's risk for non-renewal of specific products, which helped the insurer further tailor the retention messages for each customer.

To more precisely customize the approach for customer retention, Cognizant performed further analysis on those customers it found to have more than a 50% risk of attrition, and created separate categories based on quintile risk range, each with different scripts. For those in the lowest quintile, representing a lower risk, an agent might provide a general reminder the customer was at risk of losing his policy. For a customer in a higher risk range, the agent might provide a much fuller explanation of the disadvantages of allowing a policy to lapse, with a more detailed explanation of the value of the product.

Cognizant then integrated the analytics platform with the insurer's other customer systems. By entering a policy number, employees and agents can see the attrition rate and risk factor for any type of customer, and use that information to tailor information and the products offered.

The system has also been customized for use with new customers, comparing their profiles to those of existing customers to help agents understand each prospect's risk level from the beginning of the sales process. Agents can now advise on the product, payment methods and other variables that will reduce a customer's risk of attrition over time.

Within a month of implementation of the new system, the insurer increased its premium revenue by 8% through the renewal of high-risk policies and reviving lapsed policies. It also recovered 4.5% of the customers it had lost in the previous year.

The revenue increase and customer recovery, combined with the effort reduction from prioritizing calls, have enabled the insurer to experience a return on investment of more than 180% in the first year after implementation. As the company expands the use of the approach and platform, it continues to monitor and reduce the risk of attrition for millions of customers worldwide.

Learn More

To learn more about Cognizant, please visit www.cognizant.com/insurance or send an e-mail to InsuranceAnalytics@cognizant.com.

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